

ARC OF DESOTO
(a nonprofit corporation)
Mansfield, Louisiana

FINANCIAL STATEMENTS
June 30, 2007 and 2006

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 3/5/08

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CERTIFIED PUBLIC ACCOUNTANT

Independent Auditor's Report

To the Board of Directors
The Arc of DeSoto
Mansfield, LA 71052

I have audited the accompanying statements of financial position of The Arc of DeSoto (a nonprofit corporation) as of June 30, 2007 and 2006, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the entity's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amount and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion the financial statements referred to above present fairly, in all material respects, the financial position of The Arc of DeSoto at June 30, 2007 and 2006, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated December 11, 2007, on my consideration of The Arc of DeSoto's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

Deborah D. Dees, CPA

Mansfield, Louisiana
December 11, 2007

ARC OF DESOTO
Statements of Financial Position
June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
ASSETS		
Current Assets		
Cash	\$ 98,394	\$ 112,821
Accounts Receivable	<u>25,398</u>	<u>29,206</u>
Total current assets	<u>123,792</u>	<u>142,027</u>
Property, Plant & Equipment		
Buildings	282,072	282,072
Land	8,000	8,000
Furniture and fixtures	3,856	3,856
Machinery and equipment	25,868	25,868
Vehicles	154,721	173,211
Sheltered workshop equipment	<u>32,391</u>	<u>32,692</u>
Total property, plant & equipment	506,908	525,699
Less: Accumulated Depreciation	<u>(252,456)</u>	<u>(242,028)</u>
Net property and equipment	<u>254,452</u>	<u>283,671</u>
Other Assets		
Prepaid Insurance		11,088
Prepaid Professional Fees	416	-
Deposit-Utilities	<u>50</u>	<u>50</u>
Total other assets	<u>466</u>	<u>11,138</u>
TOTAL ASSETS	<u>\$ 378,710</u>	<u>\$ 436,836</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable	\$ 3,929	\$ 4,718
Payroll taxes payable	<u>3,683</u>	<u>1,144</u>
Total current liabilities	<u>7,612</u>	<u>5,862</u>
Net Assets		
Unrestricted:		
Board operation fund	8,205	4,568
Fixed assets	254,452	283,671
Designated for programs	<u>108,441</u>	<u>142,735</u>
Total unrestricted net assets	<u>371,098</u>	<u>430,974</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 378,710</u>	<u>\$ 436,836</u>

The accompanying notes are an integral part of part of the financial statements.

ARC OF DESOTO
Statements of Activities
For the years ended June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Unrestricted Net Assets		
Revenues and other support:		
Contracts with governmental agencies	\$	\$ 242,300
Community Homes - contractual	40,992	38,284
Medicaid Income	208,170	16,969
United Way	6,716	11,679
Membership dues	2,050	2,904
Interest and dividend income	694	789
Service income - sheltered workshop	47,851	47,834
Miscellaneous	10,130	1,011
Total increase in net assets	<u>316,403</u>	<u>362,760</u>
Expenses		
Program Services		
Adult habilitation services	340,409	338,955
Sheltered workshop	34,301	42,311
Other programs	1,587	1,150
Total decrease in net assets	<u>376,277</u>	<u>382,426</u>
Net increase (decrease) in unrestricted net assets	(59,874)	(19,666)
Unrestricted net assets, beginning of year	<u>430,972</u>	<u>450,838</u>
Unrestricted net assets, end of year	<u>\$ 371,098</u>	<u>\$ 430,972</u>

The accompanying notes are an integral part of the financial statements.

ARC OF DESOTO
Statement of Functional Expenses
For the year ended June 30, 2007

	Adult Habilitation Services	Sheltered Workshop	Other Programs
Advertising	\$ 37	\$	
Bank Charges	240		
Client Expense	105	2,361	
Depreciation	28,370	848	
Drug Testing	638		
Dues & Subscriptions	256		
Employee Benefits	1,525		
Fuel-Auto	28,872		
Insurance	52,191		
Licenses & Permits	20		
Maintenance- vehicles	7,982		
Office Expenses/Supplies	7,792		
Payroll Tax Expense	12,845		
Professional Fees	11,315		
Repairs/Maintenance	7,307		
Salaries and wages	160,336	17,094	
Security	1,906		
Staff Training	727		
Supplies		13,998	
Telephone	4,596		
Travel	2,021		
Utilities	11,328		
Other Expenses			1,567
Total program services expenses	<u>\$ 340,409</u>	<u>\$ 34,301</u>	<u>\$ 1,567</u>

The accompanying notes are an integral part of the financial statements.

ARC OF DESOTO
Statement of Functional Expenses
For the year ended June 30, 2008

	Adult Habilitation Services	Sheltered Workshop	Other Programs
Advertising	\$ 25		
Bank Charges	91		
Client Expense		2,005	
Depreciation	37,164	1,657	
Dues & Subscriptions	5		
Employee Benefits	1,350		
Fuel-Auto	28,753		
Insurance	53,572		
Licenses & Permits	85		
Maintenance- vehicles	9,307		
Office Expense/Supplies	8,413		
Payroll Tax Expense	12,942		
Professional Fees	9,817		
Repairs/Maintenance	1,402	401	
Salaries and wages	159,102	23,194	
Security	1,229		
Staff Training	1,055		
Supplies		15,054	
Telephone	4,005		
Travel	777		
Utilities	9,871		
Other expense			1,150
Total program services expenses	<u>\$ 338,965</u>	<u>\$ 42,311</u>	<u>\$ 1,150</u>

The accompanying notes are an integral part of the financial statements.

ARC OF DESOTO
Statements of Cash Flows
For the years ended June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Unrestricted Net Assets	\$ (59,874)	\$ (19,886)
Adjustments to Reconcile Net Income(Loss) to Net Cash Provided By (Used in) Operating Activities:		
Depreciation	29,218	38,821
Losses (Gains) on Sales of Fixed Assets		
Decrease (Increase) in Operating Assets:		
Accounts Receivable	3,811	(2,272)
Prepays	10,672	(11,088)
Increase (Decrease) in Operating Liabilities:		
Accounts Payable	(789)	(55)
Payroll Tax Liabilities	<u>2,537</u>	<u>(2,980)</u>
Total Adjustments	<u>45,449</u>	<u>22,428</u>
Net Cash Provided By (Used in) Operating Activities	(14,425)	2,760
CASH FLOWS FROM INVESTING ACTIVITIES		
Net Cash Provided By (Used in) Investing Activities		
NET INCREASE (DECREASE) IN CASH	(14,425)	2,760
CASH AT BEGINNING OF PERIOD	<u>112,819</u>	<u>110,059</u>
CASH AT END OF PERIOD	<u><u>\$ 98,394</u></u>	<u><u>\$ 112,819</u></u>

The accompanying notes are an integral part of the financial statements.

ARC OF DESOTO
Notes to Financial Statements
June 30, 2007 and 2006

Note A. Nature of Activities and Summary of Significant Accounting Policies

Nature of Activities

The Arc of DeSoto is a nonprofit corporation under the laws of the State of Louisiana. The Arc of DeSoto (The Arc) was established to provide habilitation services to developmental disabled persons ages 18 years and older within DeSoto Parish, Louisiana. These activities are reported under the Adult habilitation services program. The Arc also provides vocational services reported as the Sheltered workshop program in which the clients can work and earn wages for such things as lawn care, janitorial services, cooking and ironing. The organization was supported primarily through a Louisiana Department of Health and Hospitals contract during the year ended June 30, 2006. Approximately 87% of the Arc's support for the year ended June 30, 2006 came from this state department. Beginning with the year ended June 30, 2007, the organization was primarily supported through Medicaid payments. Approximately 65% of the Arc's support for the year ended June 30, 2007 came from this state department.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements for Not-for-Profit Organizations*. Under SFAS No. 117, The Arc is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Arc has not received any revenues or contributions with restrictions that would result in permanently restricted net assets. SFAS No. 117 also requires a not-for-profit organization to provide information about expenses by functional classifications. The Statement of Activities presents the expenses charged directly to program or supporting services based on specific identification.

Cash and/or Cash Equivalents

For the purposes of the statement of cash flows, The Arc of DeSoto considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents. The carrying value of cash approximates fair-value because of the liquidity of those financial instruments. The Federal Deposit Insurance Corporation as of June 30, 2007 insures the checking accounts at each institution. The Board has a checking account for contributions that are used solely for client expenses that are not allowed under the state's contract.

Property and Equipment

Property and equipment are carried at cost or if donated, at the approximate fair value at the date of donation. The State of Louisiana has a reversionary interest in property purchased with state funds. Its disposition as well as the ownership of any proceeds therefore is subject to state regulations.

The Arc of DeSoto follows the practice of capitalizing, at cost, all expenditures for fixed assets in excess of \$500. Depreciation is computed using the straight-line method over the estimated useful life of each asset generally as follows:

Buildings and improvements	31.5 years
Furniture and equipment	7 years
Vans	5 years

The net fixed asset balance has been recorded as a separate component in unrestricted net assets. Depreciation expense for June 30, 2007 and 2006 is \$29,218 and \$38,821, respectively.

ARC OF DESOTO
Notes to Financial Statements
June 30, 2007 and 2006

Income Taxes

The Arc of DeSoto is a nonprofit corporation and is exempt from state and federal income taxes under Section 501(c)(3) of the Internal Revenue Code. No provision for income taxes has been made in these financial statements. However, income from certain activities not directly related to the tax-exempt purposes of the Association is subject to taxation as unrelated business income. The Arc of DeSoto had no such income for this audit period.

Revenue and Support

The Arc of DeSoto receives its support primarily from Medicaid reimbursements and the Office for Citizens with Developmental Disabilities. Revenue is reported as unrestricted support due to the restrictions placed on those funds by the funding sources being met in the same reporting period as the revenue is earned. The Arc of DeSoto receives other contractual revenue from local community homes for the services provided to their clients.

Contributions of donated non-cash assets are recorded at their fair value in the period received. Contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. The Arc had no temporarily or permanently restricted net assets for year ended June 30, 2007.

Retirement Obligations

The employees of The Arc of DeSoto participate in a 401(k) thrift plan. The Arc will match 50% of the first 6% of salary contributed by the employee, and the employee is fully vested in five years. The Arc of DeSoto's contributions for 2007 and 2006 were \$1,525 and \$1,350, respectively.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Compensated Absences

Compensated absences are not recorded in the financial statements because all employees take the same week vacation in June and 10-day vacation in December. Leave is accumulated but if not used, is only paid if the employee is terminated; therefore the amount cannot be reasonably estimated.

Note B. Accounts Receivable

The accounts receivable consists of the following for the years ended June 30:

	2007	2006
OCDD Contract	\$ -	\$ 18,819
Community Homes	3,416	3,416
Medicaid Waivers	17,009	515
United Way of Northwest LA	4,973	6,456
	<u>\$ 25,398</u>	<u>\$ 29,206</u>

**REPORT ON ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
The Arc of DeSoto
Mansfield, LA 71052

I have audited the financial statements of The Arc of DeSoto (a nonprofit corporation) as of and for the years ended June 30, 2007 and 2006, and have issued my report thereon dated December 11, 2007. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered The Arc of DeSoto's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Arc of DeSoto's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Arc of DeSoto's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Arc of DeSoto's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of

noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the board of directors, management, others within the organization, the Legislative Auditor, and the cognizant agencies and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Delvash A. Ales, CPA

Mansfield, Louisiana
December 11, 2007

ARC OF DESOTO
Schedule of Finding and Questioned Costs
For the Year ended June 30, 2007

SUMMARY OF AUDITOR'S REPORTS

INDEPENDENT AUDITOR'S REPORT:

I have audited the statements of financial position of ARC of DeSoto as of and for the years ended June 30, 2007 and 2006, and the related statements of activities, functional expenses and cash flows and have issued my report thereon dated December 11, 2007. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. My audit of the above referenced financial statements as of June 30, 2007 and 2006 resulted in an unqualified opinion.

REPORT ON INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS:

Compliance

Compliance Material to Financial Statements

☐ Yes

☒ No

Internal Control

Material Weaknesses

☐ Yes

☒ No

Other Conditions

☐ Yes

☒ No

FEDERAL AWARDS

Not applicable

FINANCIAL STATEMENT FINDINGS

None.

ARC OF DESOTO
Summary Schedule of Prior Audit Findings
For the Year ended June 30, 2007

Prior year findings:

There were no findings for the year ended June 30, 2006 to be reported.